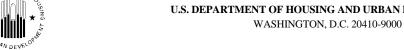
## U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

January 10, 2003

03 - 02

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: GNMA II Mortgage-Backed Securities Program Changes

As part of President Bush's commitment to increasing homeownership opportunities for minorities, Ginnie Mae is introducing several important changes to its GNMA II Mortgage-Backed Securities ("MBS") program. The changes being announced below only apply to the GNMA II MBS program (both Custom pools and Multiple Issuer loan packages), and only to pools or loan packages of single-family loans. The program changes will be effective July 1, 2003. These changes are as follows:

- 1. The spread of note rates eligible for securitization within a GNMA II pool or loan package will be reduced to 25-75 basis points above the security rate.
- 2. The minimum servicing fee for each GNMA II pool or loan package will be 19 basis points – which would be the minimum note rate/security rate spread of 25 basis points minus the 6 basis points Ginnie Mae Guarantee Fee.
- 3. Buydown loans may be no more than ten percent (10%) of the Original Principal Balance of a Multiple Issuer pool. Buydown loans may be up to one hundred percent (100%) of the Original Principal Balance of a GNMA II Custom Pool; however, any pools in which Buydown loans exceed ten percent (10%) of the Original Principal Balance must be denoted as "BD" pools in the same manner as GNMA I Buydown pools.

The goal of these changes is to improve market execution of Ginnie Mae's MBS programs for its program participants, which is expected to result in reduced costs to new homebuyers, as well as homeownership opportunities for more Americans. Improved market execution for the GNMA II program means: 1) added flexibility for issuers to determine the most effective deployment of their capital; 2) improved pricing of GNMA II MBS, relative to the pricing of both GNMA I and other Mortgage-Backed Securities; 3) increased program efficiencies associated with placing "odd coupon" mortgage rates in Ginnie Mae securities; 4) increased liquidity and acceptance of GNMA II Mortgage-Backed Securities; and 5) reduced

costs to Ginnie Mae's core constituency of first-time, predominantly minority homebuyers.

Ginnie Mae appreciates the feedback it received from its program participants. Ginnie Mae believes that with the help of its participants, the GNMA II Mortgage-Backed Securities program will be made even stronger by the changes announced in this memorandum. Through these improvements, Ginnie Mae will further enhance its role as a creator of homeownership opportunities for all Americans.

An All Participants Memorandum providing all of the changes to the Ginnie Mae Mortgage-Backed Securities Guide 5500.3 will be forthcoming.

Ginnie Mae issuers with any questions regarding this announcement should call their Single-Family Account Executive at (202) 708-1535.